

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (12/30)**

BUTTER: Grade AA closed at \$1.5400. The weekly average for Grade AA is \$1.5375 (+.0025).

CHEESE: Barrels closed at \$1.4500 and blocks at \$1.4850. The weekly average for barrels is \$1.4500 (+.0412) and blocks, \$1.4850 (+.0012).

NONFAT DRY MILK: Extra Grade closed at \$0.8600 and Grade A at \$0.8600. The weekly average for both Extra Grade and Grade A is \$0.8600 (N.C.).

BUTTER: The market tone is mixed. Cream offerings to the churn across the country were burdensome last week and are only slightly more balanced this week. Butter facilities are mostly at capacity and often unable to handle additional loads. In the Midwest, processing capacity has been greatly reduced by the loss of a couple facilities since early summer. Butter stocks, though reported as tight, are increasing. This week's CME warehouse stocks report shows that 2.7 million pounds of butter went into storage last week. This is the first week-to-week increase since July. Contacts comment that producers are holding stocks with a little more confidence as they try to rebuild their inventories for anticipated needs. Many buyers feel that if the CME price does not move any lower, now is the time to rebuild stocks. However, there are contacts who still feel that the CME cash market has some "downside." Packaged butter demand has slowed along seasonal patterns. Demand for bulk is fair to good.

CHEESE: The cash cheese market is about steady. Cash cheese prices at the Chicago Mercantile Exchange are sharply higher than the 2003 close when blocks were \$1.3050 and barrels at \$1.2350. Current interest is quiet except for orders for shipment in 2005. Packagers and processors are operating on abbreviated schedules, reducing bulk cheese needs. Many are looking to rebuild working stocks from the hand to mouth basis of the recent weeks. Buyers are waiting for holiday disappearance numbers before restocking for the Super Bowl as well as for yearend inventory management. With the expected cost of milk higher than the returns from cheese and whey sales, many plant operators are trying to minimize cheese production during December. Many plant operators are limiting purchases of holiday surplus fluid unless sharply discounted.

FLUID MILK: Milk production is seasonally steady throughout the nation. Class I demand is reduced due to school closures and adjusted bottling schedules for the holidays. As a result, increased volumes of milk moved into manufacturing facilities during the holiday weekend. Cheese and butter producers adequately handled the excess milk with some help from Mother Nature. Impassable roads due to heavy snowfall resulted in handlers dumping loads in areas of the Central and Eastern regions. Excess milk supplies during the New Year's holiday weekend are anticipated to be reduced compared to the Christmas holiday weekend. Eastern bottlers are expected to replenish pipelines before the higher January Class I price is reflected. Some Eastern

ice cream operations that are traditionally closed for the holidays, re-opened to take advantage of ample cream supplies available at reduced cost. Cream offerings were heavy throughout the nation during the holiday weekend. Multiples are reported lower as supplies exceeded butter plant capacities.

DRY PRODUCTS: Holiday milk supplies filtered into manufacturing facilities resulting in increased production of dry dairy products. Heavier production schedules of NDM were most notable in the East. Additional supplies of NDM are readily traded with supplies often short of buyer interest. CCC NDM sell-backs are alleviating some of the tightness in the trade. Buttermilk prices are steady to lower. Heavy churn activity is encouraging the production of dry buttermilk for the light interest. Dry whey markets are steady to firm. Higher prices are noted in the West where export demand is driving the market. The WPC market remains firm. As a substitute to NDM, WPC is moving into some export markets. As a substitute to WPC, some veal manufacturers are using more wheat protein. The lactose market is mixed. First quarter contracts are being finalized at prices both above and below fourth quarter 2004. Lactose production is steady to higher for the light interest.

CCC: During the period of December 23 - 31, there was no price support activity. For the calendar year, CCC purchased 277,967,984 pounds of NDM under the support program. There were no purchases of cheese or butter but a negative contractual adjustment (42,309 pounds of butter) did occur during the year. The 2004 calendar year purchases are comparably lower than the 2003 calendar year purchases of NDM (635,500,031 pounds), cheese (35,535,004 pounds) and butter (11,446,631 pounds). Calendar year purchases based on milkfat and skim solids are 60.2 and 3,233.1 million pounds respectively. This compares to 717.6 and 7,762.0 million pounds of milkfat and skim solids purchased during 2003.

CCC INVITATIONS: CCC invited competitive offers to buy from the CCC NDM packed in 25-KG bags. Under Invitation 037, Announcement RSCS1, 4,000,000 pounds of NDM are available for the manufacture of casein or caseinate. Under Invitation 016, Announcement DSC1, 4,000,000 pounds of NDM are available for unrestricted use. Offers for both Announcements are due January 4 with public release of awards on January 6. CCC sales under Invitation 015 to Announcement DSC1 totaled 2,060,025 pounds at a price of \$0.8100 - \$0.8300. All other offers were rejected due to price.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the December 2004 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$13.98 (-\$0.11), Class III \$16.14 (+\$1.25); and Class IV \$13.42 (+\$0.08). Product price averages used in computing Class prices are: butter \$1.8122, NDM \$0.8713, cheese \$1.7146, and dry whey \$0.2423. The Class II butterfat price is \$2.0436 and the Class III/IV butterfat price is \$2.0366. Further information may be found at:

<http://www.ams.usda.gov/dyfmoms/mib/classprcacnmt.pdf>

****SPECIAL THIS ISSUE****

JANUARY FEDERAL MILK ORDER ADVANCE PRICES (PAGE 7)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY DECEMBER 27	TUESDAY DECEMBER 28	WEDNESDAY DECEMBER 29	THURSDAY DECEMBER 30	FRIDAY DECEMBER 31	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4500 (+.0300)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	CME	(+.0300)	\$1.4500 (+.0412)
40# BLOCKS	\$1.4850 (N.C.)	\$1.4850 (N.C.)	\$1.4850 (N.C.)	\$1.4850 (N.C.)	CLOSED	(N.C.)	\$1.4850 (+.0012)
NONFAT DRY MILK							
EXTRA GRADE	\$.8600 (N.C.)	\$.8600 (N.C.)	\$.8600 (N.C.)	\$.8600 (N.C.)		(N.C.)	\$.8600 (N.C.)
GRADE A	\$.8600 (N.C.)	\$.8600 (N.C.)	\$.8600 (N.C.)	\$.8600 (N.C.)	NO	(N.C.)	\$.8600 (N.C.)
BUTTER							
GRADE AA	\$1.5350 (N.C.)	-----	\$1.5400 (+.0050)	-----	TRADING	(+.0050)	\$1.5375 (+.0025)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME is closed 12/31

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 27, 2004

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.4750; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4500; 1 CAR 40# BLOCKS @ \$1.4850; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: NONE; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.5350; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 28, 2004

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, DECEMBER 29, 2004

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.4850; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.5350, 1 @ \$1.5400; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.5375, 1 @ \$1.5350; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 30, 2004

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 30, 2004 - CME CLOSED, NO TRADING

BUTTER MARKETS**NORTHEAST**

The market tone is steady. The cash butter price at the CME has held for three consecutive sessions, leading some to feel that market will hold here "for a while." Others still feel that price declines are in the offing. Churning activity increased during Christmas week as excess cream volumes increased sharply. However, reports indicate that a couple of ice cream producers normally closed during the holidays are open this week to take advantage of low-priced cream to replenish inventories. This will ease the need to send excess volumes to butter makers. Demand for packaged butter is slowing as retailers work down existing stocks before reordering. Contacts report that bulk butter is in tight supply. Producers, when possible, are holding their current output for future needs. Food service orders are fair to good. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The butter market tone is steady. The cash market at the CME has been relatively steady during the past two, holiday shortened weeks. Some contacts feel that the CME cash price could move lower, while others feel that it will hold at or near current levels. Butter producers report burdensome offerings of excess cream last week with continued heavy offerings early this week. With churning capacity in the Midwest reduced by an early-December fire at a facility and an early-summer plant closing, butter making capacity has been reduced and is being felt in many areas of the country. Reports from around the country indicate excessive milk

and cream supplies. Packaged butter sales are slower now that the holiday rush is past. Retailers are assessing current inventories before reordering. Bulk butter demand is fair to good as some users and speculators try to replenish stocks. Food service orders are about steady. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash butter prices at the CME have held steady for three trading sessions at \$1.5350. Trading activity has been very light. Indications are that sales activity for the holiday weekend just past were very good. Plants are now waiting for the reorders to come in to get a more accurate gauge on the sales. Churning activity is heavy, often at levels above what was anticipated last week. Prices continue to fall on cream as churns are not all that anxious to process the cream unless it looks like a decent rate of return for their effort. Cream offerings are very heavy and moving long distances to try and find a home. U.S. Cold Storage holdings of butter at the end of November total 59.4 million pounds, down 52% from last year (63.2 million pounds) and down 45% (47.8 million pounds) from October 2004. Trade sources indicate that this is the largest monthly drawdown ever reported. CME weekly butter inventories increased for the first time since July. This is a normal occurrence for late in the year. Butter stocks grew by 2.7 million pounds to stand at 11.4 million pounds. Last year stocks were over 56 million pounds. Bulk butter prices range from flat to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
<u>WEEK ENDING</u>					
DECEMBER 25	1.6360	1.5236	0.8782	1.5400	0.2408
	6,474,048	10,398,496	16,513,820	2,856,144	9,166,982

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

After two weeks of sharp declines, cheese prices rebounded slightly last week. The market tone is unsettled as some contacts expect additional price adjustments at the CME. Cheese output in the Northeast is not as heavy as expected. The anticipated high price for December Class III milk coupled with the relative low price for cheese has many producers limiting the volumes of milk processed. However, cheese stocks, particularly current styles are light and need to be replenished. This may be done when milk and cheese prices are in a better relationship. Retail demand for cheese is fairly good, but pricing continues to be a major factor in consumers' buying decisions. Food service orders are good. Distributors are very busy this week trying to get all the orders out in a timely manner.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5500-2.0650
Cheddar Single Daisies	:	1.5075-1.9825
Cheddar 40# Block	:	1.6250-1.8825
Process 5# Loaf	:	1.6200-1.8275
Process 5# Sliced	:	1.6400-1.8925
Muenster	:	1.7225-1.9250
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is fully steady on natural and about steady on barrels. Most traders feel that recent barrel price adjustments are mainly to keep the spread near normal rather than indicative of tight supplies. Many in the industry are waiting for holiday clearance results so new activity is quiet. Natural American interest remains fairly strong. Trucking issues and delays continue during the holidays. Cutters and processors continue to operate on reduced schedules again this week, reducing bulk cheese needs. Mozzarella movement is often slower, typical for late December. Many operations are trying to rebuild their working inventory while others are restarting cheddar aging programs. Plant milk intakes are generally steady to higher although reports indicate a little milk was dumped in the southern Indiana area due to heavy snow. Few plants were interested in holiday surplus without a sharp price discount.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5900-2.2000
Brick And/Or Muenster 5#	:	2.1375-2.1800
Cheddar 40# Block	:	1.8375-2.2650
Monterey Jack 10#	:	2.0775-2.2650
Blue 5#	:	2.3325-2.9000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7825-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
	:	:
12/27/04	9,279	: 121,422
12/01/04	12,616	: 125,402
CHANGE	-3,337	: -3,980
% CHANGE	-26	: -3

WEST

The cash cheese price weekly averages have begun to firm again after dropping sharply for two weeks. Contacts believe that the market is better off if the price drops faster and puts in a bottom so that buyers come back into the market more quickly. Buyers seem to be willing to restock at these price levels. Also, sales activity for January looks to be encouraging. Plants are not very anxious to process more milk than they have to in December unless they are able to buy the milk at a pretty strong discount. U.S. Cold Storage holdings of American cheese at the end of November total 483.6 million pounds, down 8% (43.9 million pounds) from last month. This drawdown for November is nearly double the five year average. Stocks are 3% (16.3 million pounds) above the same period last year. Some contacts are concerned about this comparison going into the New Year. Swiss stocks at the end of November total 27.3 million pounds, up 5% from last month and up 13% from November 2003.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5625-1.8225
Cheddar 40# Block	:	1.6050-1.9575
Cheddar 10# Cuts	:	1.7850-2.0050
Monterey Jack 10#	:	1.7950-1.9550
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged on imported styles, higher on domestically made cheeses. The market tone is seasonally firm. Typically, the holiday/party season is a good time for the consumption of foreign-type cheeses. Stocks are about adequate to cover needs. In a recent ruling, the WTO panel agreed with the U.S. that Europe's regulations regarding "geographical indications" discriminates against U.S. products and producers and is therefore contrary to WTO rules. This is seen by many as a major victory for U.S. manufacturers of some affected cheeses, but appeals to the WTO Appellate Body are likely.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2900	: 1.8650-3.3650*
Gorgonzola	: 3.6900-5.9400	: 2.3750-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2700-3.3850*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.8900	: 1.8775-2.1000*
Romano (Cows Milk)	: -0-	: 3.0600-5.2350*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	152	40	110	0	129
SOUTHEAST STATES	0	0	0	0	0	0

The base price for Class I milk for January 2005 is \$16.65, up \$2.22 from December. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for January is \$7.20, up \$.13 from December. Winter storms hit several areas of the East during the past week. Snow and cold from Texas up through New England were common over the long, holiday weekend. Heavy snow falls (twenty-plus inches) in parts of Kentucky, Tennessee, and other nearby Midwest states disrupted transportation schedules. Some farm milk was reportedly lost due to the inability of haulers to get to the farms. The volumes lost are not yet known. Heavy snowfalls were also noted in parts of New England and ice storms in the Carolinas also had impacts on milk pickup and sales in those areas. Some pre-storm panic buying of bottled milk helped clear additional volumes of milk, but overall processing at Eastern bottlers has been light. After the announced January Class I milk price, it is expected that some retailers would like to refill their coolers before the end of the month to take advantage of the pending price change. Some milk suppliers do note that Thursday-Friday orders from bottlers are improving, but the improvement may also be bottlers refilling school lunch pipelines. Contacts report that surplus milk volumes were heavy during Christmas week but manageable. Many manufacturers are getting caught up, but some did have tanks "dropped" in their yards while the drivers returned to their base for another tank to haul. Most of this occurred during the weekend and Monday. According to most contacts, transportation was and is an ongoing problem for all dairy products, particularly for "long hauls" east and west. The condensed skim market is mostly steady. A few discounted loads were noted, but those generally move to Class IV buyers. The fluid cream market is weak and prices are lower. Both multiples and the CME average butter price moved lower. Offerings are and were burdensome. Few Class II spot sales were reported and those that did clear, did so at lower than normal multiples. As one supplier put it, about 95% of the spot cream during the holidays has clear to butter plants. A couple ice cream plants did reopen this week, which helped temper the supply situation. Production of Class II items are slowing along typical post-holiday patterns. Orders for bottled cream, dips, and sour cream were quite good before the year-end holidays. Churning activity is very heavy as most Eastern churns are operating at capacity. Due to the glut of cream, some butter plants still have cream tankers waiting to unload.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7960-2.0262
DELIVERED EQUIVALENT ATLANTA	-	1.8420-2.0876 M 1.8727-1.9648
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7653-1.8574

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9600-.9800
NORTHEAST- CLASS III - SPOT PRICES	-	1.1000-1.2300

M I D W E S T

Class I interest improved after the holiday weekend but was still below levels of a couple weeks ago when schools were in session. Most bottlers were not expecting retailers to order extra heavy despite a \$2.00+ increase in the Class I base price in January. Other bottlers were trying to rebuild school account stocks ahead of the new month. Most handlers had fewer surplus milk loads than expected and cancelled some of the lowest priced holiday weekend loads.

Others found that many manufacturing plant operators were not interested in buying milk, preferring to stay on a regular schedule during the holidays. Reported spot prices ranged from a low of around \$12 upwards to flat component. Other plants are standardizing off extra cream rather than add NDM or condensed skim to boost cheese yields. Cream demand is spotty, usually weak, as many ice cream firms are closed until 2005. Milk intakes are generally steady to slightly higher seasonally. The very heavy snowfall (around 30 inches) in parts of the region such as southern Indiana, along with many lake affect areas, caused some buildings to collapse and delayed trucks. Other areas received minimal precipitation. Reports indicate some milk was dumped due to the snow. A rebound in temperatures to above normal is melting the snow cover.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.50- 52.00	\$ 48.00- 55.00
REPLACEMENT HEIFER CALVES	\$240.00-540.00	\$250.00-460.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 54.50	\$ 50.00- 57.00

W E S T

November 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.83 billion pounds, 0.6% higher than last year. (The change is affected by milk volumes not being included in the pool receipts for November 2004.) The November blend price, at a fat test of 3.78%, is \$15.16, \$1.16 higher than October and \$2.37 more than November 2003. The percentage of receipts used in Class I products is 16.18%. The November quota price is \$15.74 and the over quota price is \$14.04. These prices are 93 cents above October and \$2.18 more than a year earlier. A powerful Pacific storm has been stalled over parts of CALIFORNIA for a number of days. Record setting rainfall has hit parts of the state. Los Angeles has received 4" of rain and parts of the Sierra foothills have received as much as 13" of rain. Mountain areas have over 4' of snow. Localized flooding and scattered power outages are common. This is combined with winds of up to 50 mph to cause additional problems. Some roads are closed because of flooding, mud, snow, or ice. Dairy farms and plants have not been impacted much directly by the storm, but some problems are expected to show up if conditions remain for a longer period of time. Dairy plants handled the past holiday weekend very efficiently with most reporting that they were as full as they wanted to be. Some contacts were stating that conditions were no worse than in 2003. More of an issue was cream offerings. Most churns were operating at capacity and had little incentive to try and process more cream. With the Class I price relationship between December and January it was thought that bottlers would try and fill their coolers with milk in December for sale in January. This does not seem to be the case. Most contacts state that the holiday weekend plant closing issues seems to be a much more important factor. Conditions are also getting wetter up the coast in the PACIFIC NORTHWEST. Weather patterns had been dry for a while with very little snow pack. That seems to be changing now. Milk production had been coming back seasonally, but that may slow now. Many plants were at capacity last weekend, but don't expect this weekend to be as heavy. Cream offerings were more of a problem than milk. Churns were full and not able to take any more at any price. Some loads were going to be traveling long distances to find a possible home. The storm moving in on the coast is expected to hit parts of UTAH and IDAHO later in the week. Snow is expected in the dairy areas with heavy accumulations in mountain areas. Heifer prices in the region are firm. Top end animals in Idaho have been over \$2200 for the last four weeks and they are near \$2000 in Utah. Average prices range from \$1850-1950 in Idaho and they are \$1610-1730 in Utah. Facility expansions continue to be implemented.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are generally unchanged on a steady to firm market. Excess milk supplies over the holiday weekend were less than anticipated. Most plants adequately handled excess milk and are channeling NDM supplies to contractual users. Production of NDM during the New Year weekend is expected less than the weekend prior as some milk returns to bottles. Renewed interest in High Heat NDM is noted with supplies short of buyer interest at some locations. Trade is generally light due to limited supply availability. Some traders anticipate that continued CCC sales of NDM may deter significant price increases, especially into export markets.

EAST: The market tone remains relatively firm and prices are steady to higher. Production levels were very heavy over the holiday weekend and into this week. Output remains heavy at mid week, but as bottlers start placing orders for milk delivery this weekend, drying is expected to taper off. Plant stocks are increasing, but most of the output is already committed to contracts or prior spot sales. In their second offering (invitation 014 to DSC1), USDA, FSA (CCC) sold back 4,128,734 pounds of nearly three-year-old NDM at prices ranging \$.8025-.8210 per pound. CCC has announced that they are accepting bids under invitation 015 for approximately 4,000,000 pounds. In light of the recent offerings from CCC, contacts have commented on the fact that CCC seems to have a lot of NDM to sell even though uncommitted inventories are shown as zero. Demand for NDM is good, but deliveries this week are slow.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8500 - .9200 MOSTLY: .8700 - .8800
 HIGHHEAT: .9100 - 1.0300

NONFAT DRY MILK - WEST

Prices for low/medium heat powder are firm. Supplies are light for the good buyer interest. There doesn't seem to have been a lot of extra powder produced over the last holiday weekend. This is surprising some buyers. Less production is anticipated for the upcoming holiday weekend. Plants ran fairly full, but there doesn't appear to have been a lot of distressed milk around. CCC sold back 4.1 million pounds of almost three-year-old powder at prices ranging from \$.8025-.8210. This powder can be used for any purpose. More is being offered. Some contacts think that the market will need these additional powder supplies early in 2005 to meet domestic commitments. High heat prices are also firming slightly. Demand for this type of product is lackluster at best. Sales often begin to slow further at this time of year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8600 - .9300 MOSTLY: .8700 - .9000
 HIGHHEAT: .8800 - .9000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 24	\$.8723	11,022,340	0
December 17	\$.8689	10,185,799	218,255

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady to weak market. Interest in buttermilk is spotty with noted requests and trades for less than trucklot loads. Offering prices on full truckloads at the lower end of the range are not enticing buyer interest. Offers from the West are also noted at competitive prices. Production is higher as more milk and cream moved into churns over the holiday weekend. Stocks are building as is typical for this time of year.

F.O.B. CENTRAL: .8750 - .9550

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady, but the market tone remains relatively weak. The Northeast price range remains nominal. Eastern production is heavier as churning activity is heavy at most plants that are making butter. Most dryers are busy drying skim, but did have some dryer time for buttermilk. Plant stocks are moderate and growing. Demand is slow to fair and typical for the last week of a year.

F.O.B. NORTHEAST: .9200 - .9400
 DELVDSOUTHEAST: .9500 - .9800

DRY BUTTERMILK - WEST

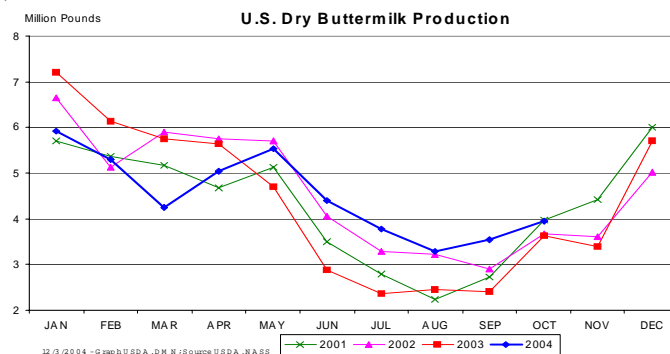
Prices for Western buttermilk powder continue to weaken. Production is running heavier over this holiday period. Demand is lackluster at this time of year. Prices are not doing a lot to stimulate interest. Stocks are building at many plants after having come into better balance over the past few weeks. Some contacts are wondering if the firming NDM market will tend to help the buttermilk market in the New Year.

F.O.B. WEST: .8800 - .9400 MOSTLY: .9000 - .9100

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and the market tone is unchanged. Prices remain nominal as few spot sales are reported. Production levels and plant stocks are light. Spot demand is slow to fair, mostly slow.

F.O.B. PRODUCING PLANT: 1.3050 - 1.3500



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices remain unchanged on a steady market. Most plants report that supplies are in good balance yet traders are being offered multiple loads. List prices are unchanged with plants reporting standard premiums. Some traders are able to move loads from the Central region into export markets. However, due to location and freight charges, export movement from the Central region is very light. Domestic trade is mostly contractual, especially as buyers prefer to keep inventories light prior to the commencement of 2005. Production is steady to higher in response to increased milk movement into cheese vats during the holiday weekend.

F.O.B. CENTRAL: .2400 - .2500 MOSTLY: .2400 - .2450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Contacts report a slow week with respect to market activity. Inquiries remain moderate to heavy as buyers are "out looking" for loads for delivery in January. Contract loads are clearing satisfactorily. Production levels are light to moderate. Some cheese makers have been moving milk out of their plants, if they can, because of the cheese/milk price relationship. One contact commented that so far, there has been little or no condensed whey being offered. This would also indicate either a lack of cheese production or producers have other outlets for their liquid whey. Eastern producers have little to offer on the spot market, but an occasional load becomes available. These loads are either moved to regular accounts or held for future needs. The export market is expected to be a good outlet for dry whey in the coming year.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650
DELVD SOUTHEAST: .2700 - .2825

DRY WHEY – WEST

Prices range from steady to fractionally higher. The market tone is steady to firm. Domestic sales are good for the typically slow period at the end of the year. Exports are clearing quite well for this late in the year. Production has not varied a lot in the past few weeks. It is certainly no heavier as cheese operations are not anxious to handle extra milk with the December cheese versus milk price relationship. Some new export shipments are taking place at prices within the range.

NONHYGROSCOPIC: .2400 - .2800 MOSTLY: .2500 - .2600

ANIMAL FEED WHEY - CENTRAL

Prices remain unchanged and nominal on a steady market. Offerings are light. Buyers are generally opting to wait until 2005 commences before making additional purchases. Adequate supply availability of Extra Grade whey is also deterring buyer inquiry of animal feed whey. Early weaned pig prices are trending lower while veal markets are generally steady.

F.O.B. CENTRAL:
MILK REPLACER: .2000 - .2200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a firm market. Anxiety with respect to 2005 WPC 34% supplies is beginning to wane as buyers and sellers secure contractual orders for the year. Some buyers that are not fully contracted are finding alternative sources of high protein WPC such as delactose, WPC 80% or by-products from isolate production. Some veal milk replacer suppliers note an increased demand in feed derived from wheat protein. As a result, some feed facilities expect to increase wheat protein imports and wheat based production. Supplies of WPC 34% are generally tight with some supplies displacing NDM into export markets. Some producers state that they would sell at 2 cents over the average if they had it. Off grade supplies are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6200 - .7400 MOSTLY: .6425 - .6625

LACTOSE - CENTRAL AND WEST

Prices continue unchanged on a mixed market. Contracts for the first quarter continue to be finalized. While some manufacturers are reporting prices higher than last quarter, others are noting slight decreases. Producers with firm relationships with domestic and export users are in the best position. Some firms have flat priced sales for extended periods to alleviate any supply burdens during 2005. Others have yet to finalize deals, especially into Asian markets. A few producers state difficulty in selling at prices within the current mostly price range. Perceptions are mixed as to whether the impact of the Tsunami will have ripple effects on economies and thus demand for food and feed products in Asia. Off grade lactose trade is lighter than the week prior at prices trending within the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1450 - .2300 MOSTLY: .1700 - .2000

CASEIN – NATIONAL

Casein markets are firm and prices are steady. Prices in 2005 are expected to increase and stocks will become tighter. Buyers are trying to line up sources of supply for the New Year. Most expect to get historical volumes for their regular suppliers, but most are looking for possible alternative sources, should they be needed. The CCC has issued invitation 037 to RSCS1 inviting competitive bids to purchase approximately 4,000,000 pounds of CCC-owned NDM for the purpose of making casein or caseinates. Bids are due 1 pm CST, January 4, 2005.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.8500 - 3.1500
ACID: 2.9000 - 3.1500

EVAPORATED MILK – NATIONAL

Prices are unchanged and the market tone is steady. Production levels are heavier as more surplus milk was available in the last week. This is a typical pattern for the holiday season. Producers processed as much milk as they could to replenish seasonally depleted stocks. The Class IV milk price isn't as low as some makers would like, but there were many loads of milk offered at discounted prices. Demand has slowed, also a typical pattern for late December.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

FEDERAL MILK ORDER ADVANCE PRICES, JANUARY

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for January 2005 is \$16.65 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$9.70 and the advanced butterfat pricing factor of \$2.0818. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.50. Thus, the Class II skim milk price for January is \$7.20 per cwt., and the Class II nonfat solids price is \$0.8000. **Product Price Averages** - The two-week product price averages for January are: butter \$1.8498, nonfat dry milk \$0.8698, cheese \$1.7648, and dry whey \$0.2436.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/</u> <u>2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	January 2005		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <u>4/</u>	001	19.90	12.95	2.1143
Appalachian (Charlotte) <u>5/</u>	005	19.75	12.80	2.1128
Southeast (Atlanta) <u>6/</u>	007	19.75	12.80	2.1128
Florida (Tampa) <u>7/</u>	006	20.65	13.70	2.1218
Midwest (Cleveland) <u>8/</u>	033	18.65	11.70	2.1018
Upper Midwest (Chicago) <u>9/</u>	030	18.45	11.50	2.0998
Central (Kansas City) <u>10/</u>	032	18.65	11.70	2.1018
Southwest (Dallas) <u>11/</u>	126	19.65	12.70	2.1118
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	19.00	12.05	2.1053
Pacific Northwest (Seattle) <u>13/</u>	124	18.55	11.60	2.1008
All-Market Average		19.30	12.35	2.1083

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, MO., minus \$0.90. 7/ Class I prices at other cities are: Indianapolis minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I prices at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE PERIOD OF DECEMBER 23 - 31, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 12/24/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	116,034,484	-0-	804,705,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	115,915,436	-0-	851,096,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF DECEMBER 23-31, 2004 =	0.0	0.0	COMPARABLE PERIOD IN 2003 =	4.0	212.2
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	25.5	1,349.3
CUMULATIVE JAN. 1 - DEC. 31, 2004 =	60.2	3,233.1	COMPARABLE CALENDAR YEAR 2004 =	717.6	7,762.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE PERIOD OF DECEMBER 23 - 31, 2004 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	849,976	4.2	0.7
WEST	-0-	-0-	-0-	-0-	29,415,099	115,065,460	92.4	99.3
EAST	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4	0.0
TOTAL	-0-	-0-	-0-	-0-	31,817,269	115,915,436	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **73,563,803** pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/11/04 & Comparable Week 2003

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2004-Dairy	0.0	0.8	7.7	3.0	18.3	4.4	0.8	1.1	12.7	2.6	51.5	2,258.1	46.3	46.7
2003-Dairy	0.2	0.8	9.0	4.8	22.4	2.6	0.4	1.0	15.7	2.9	59.8	2,756.9	46.7	47.5
2004-All cows	0.1	0.8	9.4	12.2	34.5	16.7	12.9	3.5	15.0	6.1	111.2	4,836.8		
2003-All cows	0.2	1.0	12.0	12.4	33.9	18.3	21.4	3.5	18.1	7.1	128.0	5,799.5		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2005
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	14.43	16.65
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66	13.57	14.09		
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89		
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00	12.81	13.34		

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm